



press release

OFFICE OF THE GOVERNOR

Governor announces termination of Electric Power Authority's Restructuring Support Agreement

Will push for better terms under a negotiated Plan of Adjustment to end the electric utility's bankruptcy and ensure a more efficient, cleaner, and reliable electric system

San Juan, March 8, 2022 –Puerto Rico Governor Pedro R. Pierluisi announced today that the Government will terminate the Puerto Rico Electric Power Authority's Restructuring Support Agreement of 2019 (the "PREPA RSA" or the "agreement") because its implementation is neither feasible nor in the best interests of Puerto Rico.

According to the Governor, the circumstances prevailing when the PREPA RSA was negotiated with PREPA's creditors back in 2019 have changed significantly, including worldwide economic conditions, such as rising inflation and significant surges in the price of crude oil.

"I am committed to achieving PREPA's exit from bankruptcy and support a comprehensive negotiation or mediation that ensures an efficient, cleaner and reliable electric energy system for the people of Puerto Rico, while honoring our government's pledge to the corporation's pensioners and resolving PREPA's debtors claims fairly," Governor Pierluisi stated.

Under the terms of the PREPA RSA, each party has the right terminate the agreement. Therefore, today, at the Governor's request, Puerto Rico Financial Advisory and Fiscal Agency Authority (AAFAF) agreed to exercise the Government Puerto Rico's right to terminate the agreement and notified the parties accordingly. The Governor added that the objective now is to start conversations with all stakeholders to achieve a restructuring agreement that can be implemented.

The PREPA RSA was a document that set forth a path for PREPA to restructure its bond debt to exit the PROMESA Title III bankruptcy, but did not address PREPA's other claims and debt. The Government's position is that there needs to be a considerable reduction to the corporation's debt and changes to the provisions of the RSA, and that charges to private generation should not be imposed.

"The Government of Puerto Rico is committed to working with the Oversight Board and PREPA's creditors to negotiate a Plan of Adjustment for PREPA that (1) secures PREPA's exit from Title III bankruptcy, and (2) conforms to the Government's public policy and objective of ensuring that the residents of Puerto Rico have reliable and affordable electric power," AAFAF Executive Director Omar J. Marrero said.

Governor Pierluisi added that “in order to ensure that a future Plan of Adjustment for PREPA conforms to the Government’s public policy, in the restructuring negotiations the Government will focus on the following goals: (1) for PREPA to exit Title III bankruptcy as soon as possible; (2) to encourage a conversion to renewable sources of energy and, in the short term, increased use of natural gas, which is cleaner and less expensive than other fuels being used by PREPA; (3) to respect the Puerto Rico Energy Bureau’s role in setting electric rates and oversee compliance with the Integrated Resource Plan; (4) to protect PREPA’s pensioners; and (5) to comply with the requirements and public policy objectives established in Act 17-2019, also known as the "Puerto Rico Energy Public Policy Act.”

“The Government looks forward to working with all of PREPA’s stakeholders to achieve these goals,” the Governor concluded.

###

Contacts:

Sheila Angleró Mojica (Office of the Governor) – 787-387-9954

Ivan E. Caraballo-Ortiz (FAFAA) – 787-379-8023

